Washington JLARC

PROPOSED STUDY QUESTIONS
Rural County and CEZ B&O Job Credit

State of Washington Joint Legislative Audit and Review Committee

UPDATED: December 2022

B&O credits for certain businesses creating new jobs in rural counties or community empowerment zones (CEZs)

In 1986, the Legislature established a B&O tax credit for new jobs created by manufacturing, research and development, and commercial testing businesses that hire workers, originally for economically distressed areas. Since 1999, the preference has been available in either rural counties or CEZs.

- Rural counties have a population density of less than 100 people per square mile or are smaller than 225 square miles.
- CEZs were designated by the Department of Commerce as areas within cities generally characterized by high unemployment and low wages. There are six designated CEZs in the state.

The B&O tax credit levels are equal to:

- $4,000 for each new job with wages and benefits greater than $40,000 a year.
- $2,000 for each new job with wages and benefits of $40,000 or less a year.

A business must apply for the credit, and it must increase employment within one year by at least 15% or repay the credit. Statewide credit is capped at $7.5 million per fiscal year.

This preference is included in the 10-year review schedule set by the Citizen Commission for Performance Measurement of Tax Preferences.

Legislature stated an intent to promote new and existing businesses and family wage jobs in rural distressed areas

The Legislature stated the objective for this preference in 1997, as part of a larger economic development bill. The public policy objective is to assist "rural distressed areas" in their efforts to address above average unemployment rates and below average employment growth. It also set public policy goals related to promoting ongoing, new, and expanded business activity in rural distressed areas and to providing family wage jobs to citizens of those areas.

This study will address the following questions

1. To what degree has the preference been used and how many new jobs have been created using the preference?
   a. What are the racial and ethnic characteristics of the beneficiaries using the tax preference and the new jobs created?
   b. How do beneficiaries using the preference learn about it?
2. What are the wages of new jobs, and where are those jobs located?
3. Are the qualifying areas experiencing above average unemployment or below average employment growth?

4. What is the estimated economic impact of the reported new jobs compared to the estimated economic impact of foregone revenue?

In accordance with RCW 44.28.076, JLARC staff determined there are racial equity considerations for this study and they are included in the study questions above.

Study timeframe

Preliminary Report: July 2023 **Proposed Final Report:** December 2023

Study team

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JLARC Study Process